

Toronto Pan Am Sports Centre Inc. – Annual General Meeting and 2014 Audited Financial Statements

Date:	June 11, 2015
To:	Executive Committee
From:	Acting City Manager and Deputy City Manager & Chief Financial Officer
Wards:	City-wide

SUMMARY

The purpose of this report is to present for consideration by City Council, in its capacity as one of the Shareholders of Toronto Pan Am Sports Centre Inc., the Shareholder matters requiring approval at the Annual Meeting of the Shareholders of TPASC Inc. These matters include: appointment of the auditor, receipt of financial statements, approval of operating and capital budgets, and confirmation of the corporation's proceedings.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council, in its capacity as one of the Shareholders of Toronto Pan Am Sports Centre Inc., and for the purposes of satisfying the legislative requirement to conduct the Annual General Meeting of the Shareholders of Toronto Pan Am Sports Centre Inc.:
 - a. receive the "Communication from the Chair, Board of Directors, Toronto Pan Am Sports Centre Inc. (June 11, 2015), on the 2014 Annual Report and Audited Financial Statements", forming Attachment 1 to this Report;
 - b. receive the "Toronto Pan Am Sports Centre Inc. 2014 Annual Report", forming Attachment 2 to this Report;
 - c. receive the "Financial Statements for Toronto Pan Am Sports Centre Inc. for year ended December 31, 2014", forming Attachment 3 to this Report;

- d. approve the "Toronto Pan Am Sports Centre Summary of Expenditures by Activity For the year 2015", forming Attachment 4 to this Report;
 - e. approve the re-appointment of Welch LLP, Chartered Accountants, as the external auditor of Toronto Pan Am Sports Centre Inc. for 2015, and authorize the Board of Directors of Toronto Pan Am Sports Centre Inc. to set the external auditor's remuneration.
2. City Council approve and ratify the Resolutions of the Shareholder, and authorize the City Manager to execute the Resolutions of the Shareholder, effective as of June 30, 2015 and substantially in the form of Attachment 5 to this Report, in order to give effect to:
 - a. receiving the financial statements for 2014;
 - b. confirming the election or appointment of directors for the ensuing year;
 - c. approving the re-appointment of the auditor for 2015;
 - d. confirming proceedings since the last annual meeting or in this first instance since incorporation; and
 - e. approving the operating and capital budget of Toronto Pan Am Sports Centre Inc. for 2015.
 3. City Council direct the City Clerk to forward a copy of the "Financial Statements for Toronto Pan Am Sports Centre Inc. for year ended December 31, 2014", forming Attachment 1 to this Report, to the Audit Committee for information.

Financial Impact

There are no financial impacts resulting from the adoption of this report.

DECISION HISTORY

Toronto Pan Am Sports Centre Inc. (TPASC Inc.) was incorporated under the *Business Corporations Act* (Ontario) on December 18, 2013 and was subsequently operationalized in February 10, 2014 with the inaugural meeting of the Board of Directors. The Annual Meeting of the Shareholders of TPASC Inc. in 2015 is the first Annual Meeting of the Shareholders. As there was no previous annual meeting, there are no previous minutes to present to the Shareholders. Subsequent annual meetings must be held at intervals no greater than fifteen months.

A Unanimous Shareholders' Agreement is in place to govern the relationship of TPASC Inc. with the City of Toronto and the University of Toronto. The University and the City are equal Shareholders of TPASC Inc.

ISSUE BACKGROUND

TPASC Inc. was incorporated under the *Business Corporations Act* (Ontario) on December 18, 2013. Under section 94(1) the directors of a corporation are required to call an annual meeting of shareholders not later than eighteen months after the corporation comes into existence.

The City has received advance notice from TPASC Inc. of an Annual Meeting of the Shareholders to be held on June 26, 2015. The business to be transacted at an annual general meeting is the appointment of the auditor, authorization for the directors to fix the auditor's remuneration, receipt of financial statements, approval of operating and capital budgets, receipt of the annual report, and confirmation of corporation proceedings.

It had been originally proposed that a shareholder meeting be scheduled for June 26, 2015 to be held at the Toronto Pan Am Sports Centre. However, the proposed date for the shareholder meeting did not provide sufficient advance notice to permit the City of Toronto to obtain the requisite approvals required from City Council. Holding the shareholder meeting the following month presents an operational obstacle in that the Pan Am games will be occurring at that time; and that meeting will not meet the requirements of the Business Corporations Act for holding an annual general meeting of shareholders. Alternatively the requirements of holding an annual general meeting can be satisfied by both shareholders signing the appropriate resolutions without holding a meeting, addressing the matters that need to be addressed at the annual general meeting, pursuant to section 104 of the Business Corporations Act.

COMMENTS

1. KEY ACHIEVEMENTS IN 2014

The mandate of TPASC Inc. is to manage and operate the Toronto Pan Am Sports Centre on behalf of the City and University, the co-owners of the Sports Centre, and make the Sports Centre available for the 2015 Pan American and Parapan American Games. As a 2015 Games legacy facility, following the completion of the 2015 Games the Sports Centre will have numerous uses by the City, University and other organizations and clubs including recreational programming and services, fitness training and high performance athlete training.

The Chair of the Board of Directors has submitted a communication (June 11, 2015) on the 2014 Annual Report and audited financial statements for TPASC Inc., forming Attachment 1 to this Report. The TPASC Inc. 2014 Annual Report, forming Attachment 2 to this Report, provides an overview of the corporation and the operation of the Sports Centre in 2014.

The 312,000 square-foot Sports Centre includes two internationally sanctioned 10-lane 50-metre pools, a world-class dive pool and dry land dive training facilities, a four-court gymnasium, an indoor running track, conditioning rooms, a high performance testing centre, studio space and a state-of-the-art fitness centre for members. The Canadian Sport Institute Ontario (CSIO) provides world-leading sport science and sport performance services at the Sports centre. The Sports centre opened for community users, University of Toronto faculty, staff and students, City of Toronto program users and high performance athletes in September 2014.

Operating highlights for 2014 include:

- City usage included 16,734 field house hours and 34,689 aquatic lane hours;
- University usage included 12,530 field house hours and 11,593 aquatic lane hours;
- high performance usage included 1,990 field house hours and 11,990 aquatic lane hours;
- 1,825 paid fitness memberships as of December 31, 2014 (excludes City programming and University student use);
- over 960 group fitness classes held; and
- 2718 day passes issued.

2. APPOINTMENT OF AUDITOR

TPASC Inc. undertook a Request for Quotation (RFQ) process in 2014 for an external auditor. The process was conducted under the oversight of the Board's Audit Committee. TPASC Inc. officials have informed the City that the Board, at its meeting on November 10, 2014, engaged Welch LLP, Chartered Accountants, as the external auditor of TPASC Inc. for a five-year period covering fiscal years 2014 to 2018.

Under the *Business Corporation Act* (Ontario) and provisions of the Unanimous Shareholders' Agreement, the Shareholders must approve the appointment of the auditor for TPASC Inc. and fix, or authorize the Board to fix, the auditor's remuneration. This report proposes that the Board be authorized to fix the auditor's remuneration.

3. SUMMARY – 2014 AUDITED FINANCIAL STATEMENTS

TPASC Inc. officials have informed the City that the Board, at its meeting on March 27, 2015, approved the "Financial Statements for Toronto Pan Am Sports Centre Inc. for year ended December 31, 2014", forming Attachment 3 to this Report. Under the *Business Corporation Act* (Ontario) and provisions of the Unanimous Shareholders' Agreement, the Shareholders must receive the annual audited financial statements at the Annual Meeting of the Shareholders.

Highlights of 2014 Financial Results

Financial statements show that for accounting purposes there is a deficit of \$364,563 for this first partial year, primarily as a result of budgeted Legacy funding that is received as capital contributions, and not being reflected as income to the corporation. Accounting rules require that legacy funds are recorded as share capital. Overall other revenues exceeded budget by \$617,447 or 17%, and expenditures were \$1,211,545 or 21% lower than budget for this first start-up partial year. So accordingly, from an operational and budget perspective the Toronto Pan Am Sports Centre performed well and did not accrue a deficit.

4. SUMMARY – EXPENDITURES BY ACTIVITY FOR THE YEAR 2015

TPASC Inc. officials have informed the City that the Board, at its meeting on September 15, 2014, approved the 2015 operating budget for TPASC Inc. The "Toronto Pan Am Sports Centre Summary of Expenditures by Activity For the year 2015", forms Attachment 4 to this Report. Under provisions of the Unanimous Shareholders' Agreement, the Shareholders must approve the annual operating and capital budgets of TPASC Inc. at the Annual Meeting of the Shareholders.

Highlights of 2015 Expenditure Budget

The 2015 operating budget generally follows the original owner's budget with planned revenues of \$15,347,258 and expenditures at \$12,836,706, for a surplus of \$2,510,552 before reserve contributions. The projected annual deficit of \$1,430,377 after reserve contributions will bring the forecasted cumulative deficit to \$747,879. This highlights the forecasted position of the Centre showing operating deficits at least in its early years. Significant efforts are being made to maximize revenues such that, with Legacy Fund capital contributions taken into account, any future operating contributions from the two shareholders can be minimized.

There is no capital budget for 2015.

5. SHAREHOLDER RESOLUTIONS

To give effect to City Council's approval and ratification of shareholder matters, and to satisfy the requirement for an annual meeting of TPASC Inc., resolutions of the City as Shareholder are required with respect to: the financial statements, confirmation of directors, re-appointment of the auditor, confirmation of corporation proceedings and, as a requirement of the Shareholders,

approval of the annual budgets. For practical purposes, it is proposed that City Council authorize the City Manager to execute the required Resolutions of the Shareholder, effective as of June 30, 2015, substantially in the form of Attachment 5 to this Report.

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SIGNATURE

John Livey
Acting City Manager

Roberto Rossini
Deputy City Manager & Chief Financial Officer

ATTACHMENTS

- Attachment 1: Communication from the Chair, Board of Directors, Toronto Pan Am Sports Centre Inc. (June 11, 2015), on the 2014 Annual Report and Audited Financial Statements
- Attachment 2: Toronto Pan Am Sports Centre Inc. 2014 Annual Report
- Attachment 3: Financial Statements for Toronto Pan Am Sports Centre Inc. for year ended December 31, 2014
- Attachment 4: Toronto Pan Am Sports Centre Summary of Expenditures by Activity For the year 2015
- Attachment 5: Toronto Pan Am Sports Centre Inc. Resolutions of the Shareholder